SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 28, 2003

FTI CONSULTING, INC.
(Exact Name of Registrant as Specified in Charter)

Maryland	001-14875	52-1261113
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

900 Bestgate Road, Suite 100, Annapolis, Maryland 21401
(Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code: (410) 224-8770

On December 3, 2003, FTI Consulting, Inc. filed a report on Form 8-K with the Securities and Exchange Commission stating that on November 28, 2003 FTI had completed the acquisition, through its acquisition subsidiary, LI Acquisition Company, LLC, of substantially all of the assets and certain liabilities of Lexecon Inc. from its parent company, Nextera Enterprises, Inc. On December 12, 2003, FTI filed a report on Form 8-K stating that required financial statements and pro forma financial information would be filed with the Securities and Exchange Commission within 60 days of the filing date of that Form 8-K. This Form 8-K/A contains such financial statements and required pro forma financial information.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) Financial Statements of Business Acquired:

Consolidated Financial Statements of Lexecon Inc.

Report of Independent Auditors

Consolidated Balance Sheets as of December 31, 2002 (audited) and September 30, 2003 (unaudited)

Consolidated Statements of Income for the year ended December 31, 2002 (audited) and nine-month periods ended September 30, 2002 and 2003 (unaudited)

Consolidated Statements of Owner's Net Investment for the year ended December 31, 2002 (audited) and the nine months ended September 30, 2003 (unaudited)

Consolidated Statements of Cash Flows for the year ended December 31, 2002 (audited) and nine-month periods ended September 30, 2002 and 2003 (unaudited)

Notes to Consolidated Financial Statements

(b) Pro Forma Financial Information:

Unaudited Pro Forma Condensed Combined Income Statement for the year ended December 31, 2002

Unaudited Pro Forma Condensed Combined Income Statement for the nine months ended September 30, 2003

Unaudited Pro Forma Condensed Combined Balance Sheet and Statement of Net Assets Acquired as of September 30, 2003

Notes to Unaudited Pro Forma Financial Statements

(c) Exhibits:

Exhibit No.	Description
2.1	Asset Purchase Agreement dated September 25, 2003, by and among FTI Consulting, Inc., LI Acquisition Company, LLC, Nextera Enterprises, Inc., Lexecon Inc., CE Acquisition Corp. and ERG Acquisition Corp. (previously filed as Exhibit 2.1 to Form 8-K filed on October 2, 2003)
23.1	Consent of Grant Thornton LLP, Independent Certified Public Accountants
23.2	Consent of Ernst & Young LLP, Independent Auditors
99.1	Statement of Assets Acquired as of September 30, 2003 and Statement of Revenues and Direct Expenses Associated with the Business Acquired for the year ended September 30, 2003 of the KPMG Dispute Advisory Services; and Report of Independent Certified Public Accountants (previously filed as Exhibit 99.1 to Form 8-K/A filed on January 14, 2004)
99.2	Unaudited Pro Forma Condensed Combined Statement of Income for the year ended December 31, 2002, which includes FTI's historical results of operations for its fiscal year ended December 31, 2002 combined with the historical operating revenues and expenses directly related to the DAS Business for KPMG's fiscal year ended September 30, 2003; Unaudited Pro Forma Condensed Combined Statement of Income for the nine months ended September 30, 2003, which includes FTI's historical results of operations for the nine months ended September 30, 2003 combined with the historical operating revenues and expenses directly related to the DAS Business for the nine months ended September 30, 2003; and Unaudited Pro Forma Condensed Combined Balance Sheet and Statement of Net Assets Acquired at September 30, 2003, including Notes to Unaudited Pro Forma Financial Statements (previously filed as Exhibit 99.2 to Form 8-K/A filed on January 14, 2004)
99.3	Consolidated Financial Statements of Lexecon Inc. including: Report of Independent Auditors; Consolidated Balance Sheets as of December 31, 2002 (audited) and September 30, 2003 (unaudited); Consolidated Statements of Income for the year ended December 31, 2002 (audited) and nine-month periods ended September 30, 2002 and 2003 (unaudited); Consolidated Statements of Owner's Net Investment for the year ended December 31, 2002 (audited) and the nine months ended September 30, 2003 (unaudited); Consolidated Statements of Cash Flows for the year ended December 31, 2002 (audited) and nine-month periods ended September 30, 2002 and 2003 (unaudited); and Notes to Consolidated Financial Statements
99.4	Unaudited Pro Forma Condensed Combined Income Statement for the year ended December 31, 2002; Unaudited Pro Forma Condensed Combined Income Statement for the nine months ended September 30, 2003; Unaudited Pro Forma Condensed Combined Balance Sheet and Statement of Net Assets Acquired as of September 30, 2003; and Notes to Unaudited Pro Forma Financial Statements, all reflecting the acquisition of Lexecon Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, FTI has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FTI CONSULTING, INC.

Dated: February 10, 2004

By: /s/ THEODORE I. PINCUS

Theodore I. Pincus
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
2.1	Asset Purchase Agreement dated September 25, 2003, by and among FTI Consulting, Inc., LI Acquisition Company, LLC, Nextera Enterprises, Inc., Lexecon Inc., CE Acquisition Corp. and ERG Acquisition Corp. (previously filed as Exhibit 2.1 to Form 8-K filed on October 2, 2003)
23.1	Consent of Grant Thornton LLP, Independent Certified Public Accountants
23.2	Consent of Ernst & Young LLP, Independent Auditors
99.1	Statement of Assets Acquired as of September 30, 2003 and Statement of Revenues and Direct Expenses Associated with the Business Acquired for the year ended September 30, 2003 of the KPMG Dispute Advisory Services; and Report of Independent Certified Public Accountants (previously filed as Exhibit 99.1 to Form 8-K/A filed on January 14, 2004)
99.2	Unaudited Pro Forma Condensed Combined Statement of Income for the year ended December 31, 2002, which includes FTI’s historical results of operations for its fiscal year ended December 31, 2002 combined with the historical operating revenues and expenses directly related to the DAS Business for KPMG’s fiscal year ended September 30, 2003; Unaudited Pro Forma Condensed Combined Statement of Income for the nine months ended September 30, 2003, which includes FTI’s historical results of operations for the nine months ended September 30, 2003 combined with the historical operating revenues and expenses directly related to the DAS Business for the nine months ended September 30, 2003; and Unaudited Pro Forma Condensed Combined Balance Sheet and Statement of Net Assets Acquired at September 30, 2003, including Notes to Unaudited Pro Forma Financial Statements (previously filed as Exhibit 99.2 to Form 8-K/A filed on January 14, 2004)
99.3	Consolidated Financial Statements of Lexecon Inc. including: Report of Independent Auditors; Consolidated Balance Sheets as of December 31, 2002 (audited) and September 30, 2003 (unaudited); Consolidated Statements of Income for the year ended December 31, 2002 (audited) and nine-month periods ended September 30, 2002 and 2003 (unaudited); Consolidated Statements of Owner’s Net Investment for the year ended December 31, 2002 (audited) and the nine months ended September 30, 2003 (unaudited); Consolidated Statements of Cash Flows for the year ended December 31, 2002 (audited) and nine-month periods ended September 30, 2002 and 2003 (unaudited); and Notes to Consolidated Financial Statements
99.4	Unaudited Pro Forma Condensed Combined Income Statement for the year ended December 31, 2002; Unaudited Pro Forma Condensed Combined Income Statement for the nine months ended September 30, 2003; Unaudited Pro Forma Condensed Combined Balance Sheet and Statement of Net Assets Acquired as of September 30, 2003; and Notes to Unaudited Pro Forma Financial Statements, all reflecting the acquisition of Lexecon Inc.

Exhibit 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated December 23, 2003, accompanying the Statements of Assets Acquired at September 30, 2003 and the Statement of Revenues and Direct Expenses associated with the Business Acquired for the year ended September 30, 2003 of the KPMG Dispute Advisory Services included in the Form 8-K/A of FTI Consulting, Inc. dated November 3, 2003. We hereby consent to the incorporation by reference of said report in the Registration Statements of FTI Consulting, Inc. on Forms S-8 (File No. 333-19251, effective January 3, 1997, File No. 333-30173, effective June 2, 1997, File No. 333-30357, effective June 30, 1997, File No. 333-32160, effective March 10, 2000, File No. 333-64050, effective June 28, 2001, File No. 333-92384, effective July 15, 2003 and File No. 333-105741, effective May 30, 2003).

/s/ GRANT THORNTON LLP

Edison, New Jersey
February 6, 2004

Exhibit 23.2

Consent of Independent Auditors

We consent to the use of our report dated January 31, 2003, with respect to the consolidated financial statements of Lexecon, Inc. included in the Current Report on Form 8-K/A of FTI Consulting, Inc. dated February 10, 2004, which is incorporated by reference in the Registration Statements (Form S-8 Nos. 333-19251, 333-30173, 333-30357, 333-32160, 333-64050, 333-92384 and
333-105741) pertaining to various stock option and employee stock purchase plans of FTI Consulting, Inc., all filed with the Securities and Exchange Commission.

ERNST & YOUNG LLP

Providence, Rhode Island
February 6, 2004

EXHIBIT 99.3

CONSOLIDATED FINANCIAL STATEMENTS

Lexecon Inc.
(A Subsidiary of Nextera Enterprises, Inc.)

Year ended December 31, 2002 and Nine Months ended
September 30, 2002 and 2003

Lexecon Inc.
(A Subsidiary of Nextera Enterprises, Inc.)

Consolidated Financial Statements

Year ended December 31, 2002 and Nine Months ended
September 30, 2002 and 2003

Contents

Report of Independent Auditors

Board of Directors
Nextera Enterprises, Inc.

We have audited the accompanying consolidated balance sheet of Lexecon Inc. (a subsidiary of Nextera Enterprises, Inc.) as of December 31, 2002, and the related consolidated statements of income, owner's net investment and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lexecon Inc. at December 31, 2002, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

January 31, 2003

Lexecon Inc.
(A Subsidiary of Nextera Enterprises, Inc.)

Consolidated Balance Sheets
(In thousands)

	December 31, 2002	September 30, 2003
		(Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	**$ —**	$ —
Accounts receivable, net of allowance for doubtful accounts of $1,027 in 2002 and $1,068 in 2003	**20,346**	20,798
Deferred tax assets	**1,025**	1,025
Prepaid expenses and other current assets	**630**	653
Total current assets	**22,001**	22,476
Property and equipment, net	**2,273**	1,805
Goodwill	**77,504**	77,504
Other intangible assets	**—**	2,920
Other assets	**508**	377
Total assets	**$ 102,286**	$ 105,082
Liabilities and owner’s net investment		
Current liabilities:		
Accounts payable and accrued expenses	**$ 10,604**	$ 12,888
Current portion of capital lease obligations	**451**	185
Total current liabilities	**11,055**	13,073
Long-term portion of capital lease obligations	**167**	39
Deferred tax liabilities	**1,254**	1,254
Other long-term liabilities	**1,400**	1,398
Commitments and contingencies	**—**	—
Owner’s net investment	**88,410**	89,318
Total liabilities and owner’s net investment	**$ 102,286**	$ 105,082

The accompanying notes are an integral part of these financial statements.

Lexecon Inc.
(A Subsidiary of Nextera Enterprises, Inc.)

Consolidated Statements of Income
(In thousands)

	Year Ended December 31, 2002	Nine Months Ended September 30	
		2002	2003
		(Unaudited)	
Net revenues	**$ 73,946**	$56,401	$51,487
Cost of revenues	**44,794**	34,024	32,737
Gross profit	**29,152**	22,377	18,750
Selling, general and administrative expenses	**12,823**	9,574	9,312
Amortization expense	**—**	—	6,289
Income from operations	**16,329**	12,803	3,149
Interest expense, net	**101**	69	199
Income before income taxes	**16,228**	12,734	2,950
Provision for income taxes	**6,500**	5,100	1,182
Net income	**$ 9,728**	$ 7,634	$ 1,768

The accompanying notes are an integral part of these financial statements.

Lexecon Inc.
(A Subsidiary of Nextera Enterprises, Inc.)

Consolidated Statements of Owner's Net Investment
(In thousands)

Year ended December 31, 2002 and
Nine Months ended September 30, 2003

Owner's net investment at January 1, 2002	**$ 83,041**
Net income	**9,728**
Net cash transferred to Nextera in centralized cash management accounts	**(4,359)**
Owner's net investment at December 31, 2002	**88,410**
Net income	**1,768**
Net cash transferred to Nextera in centralizes cash management accounts	**(860)**
Owner's net investment at September 30, 2003 (unaudited)	**$ 89,318**

The accompanying notes are an integral part of these financial statements.

Lexecon Inc.
(A Subsidiary of Nextera Enterprises, Inc.)

Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2002	Nine Months Ended September 30 2002	Nine Months Ended September 30 2003
		(Unaudited)	
Operating activities			
Net income	**$ 9,728**	$ 7,634	$ 1,768
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**1,499**	1,098	906
Amortization of intangible assets	**—**	—	6,289
Provision for doubtful accounts	**1,253**	1,070	1,098
Deferred income taxes	**700**	—	—
Other non-cash charges	**—**	7	280
Changes in operating assets and liabilities:			
Accounts receivable	**(3,078)**	(5,833)	(1,506)
Prepaid expenses and other assets	**(360)**	(876)	(23)
Accounts payable and accrued expenses	**(4,124)**	(1,395)	2,284
Other	**(34)**	(168)	(132)
Net cash provided by operating activities	**5,584**	1,537	10,964
Investing activities			
Purchase of property and equipment	**(673)**	(610)	(516)
Payment for non-compete agreement	**—**	—	(9,208)
Net cash used in investing activities	**(673)**	(610)	(9,724)
Financing activities			
Transfer to parent	**(4,359)**	(527)	(860)
Repayments of capital lease obligations	**(552)**	(400)	(380)
Net cash used in financing activities	**(4,911)**	(927)	(1,240)
Net increase (decrease) in cash and cash equivalents	**—**	—	—
Cash and cash equivalents at beginning of year	**—**	—	—
Cash and cash equivalents at end of period	**$ —**	$ —	$ —
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	**$ 101**	$ 69	$ 199

The accompanying notes are an integral part of these financial statements.

1. Description of Business and Basis of Presentation

Description of Business

Lexecon Inc. (the "Company") is one of the world's leading economics consulting firms. Lexecon provides law firms, corporate clients and regulatory agencies with analysis of complex economic issues in connection with legal and government proceedings, strategic planning discussions and other business activities. Lexecon's services involve the application of economic, financial, and public policy principles to issues of the marketplace in various contexts and for a number of clients in a variety of industries. Lexecon's services fall into the following broad categories: litigation support, public policy studies, and business consulting.

Lexecon Inc. is a wholly-owned subsidiary of Nextera Enterprises, Inc. ("Nextera").

Unaudited Interim Financial Information

The unaudited interim financial information as of September 30, 2003 and for the nine months ended September 30, 2002 and 2003 has been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Article 10 of Regulation S-X. In the opinion of management, such information contains all adjustments, consisting only of normal recurring adjustments considered necessary for a fair presentation of such period. The operating results for any interim period are not necessarily indicative of results for any future periods.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

As more fully discussed in Note 3, the financial statements include allocations of corporate expenses from Nextera. For financial reporting purposes, the net intercompany financing activity of the Company has been accumulated in a single caption entitled "owner's net investment."

2. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Revenue Recognition

The Company derives its revenues from consulting services primarily under time and materials billing arrangements and, to a much lesser extent, under capped-fee and fixed-price billing arrangements. Under time and materials arrangements, revenues are recognized as the services are provided. Revenues on fixed-price and capped-fee contracts are recognized using the percentage-of-completion method of accounting and are adjusted for the cumulative impact of any revision in estimates. Costs and estimated earnings in excess of billings represent revenues recognized in excess of amounts billed and are recorded with *accounts receivable* on the balance sheet. Deferred revenue represents billings in excess of revenues recognized and is recorded with *accounts payable* on the balance sheet. Net revenues include reimbursable expenses charged to clients.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	3-5 years
Software	3 years
Furniture and fixtures	5-7 years

Leasehold improvements are amortized over the lesser of the lease term or the useful life of the property. Amortization of assets under capital leases is included in depreciation.

2. Significant Accounting Policies (continued)

Property and Equipment (continued)

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset based on the Company's estimated undiscounted cash flows.

Goodwill and Other Intangible Assets

The Company adopted the provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142") effective January 1, 2002. Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed annually for impairment, or more frequently if indications of possible impairment exist. The Company performed the requisite transitional and annual impairment tests for goodwill and other intangible assets and determined that the goodwill and other intangible assets were not impaired.

The Company assesses the impairment of identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When it is determined that the carrying value of intangibles may not be recoverable, the Company measures any impairment based on an estimated fair value of the Company. The fair value of the Company is determined based on (i) a projected discounted cash flow using a discount rate determined by management to be commensurate with the risk inherent in the Company's business model, and (ii) the market comparables of similar companies.

Financial Instruments

The carrying value of financial instruments such as cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair values based on the short-term maturities of these instruments.

2. Significant Accounting Policies (continued)

Concentration of Credit Risk

The Company provides its services to customers in diversified industries, primarily in the United States. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains reserves for potential credit losses and such losses have been within management's expectations. No customer accounted for more than 10% of net revenues in 2002 and 2003.

Income Taxes

The results of operations of the Company are included in Nextera's consolidated federal income tax return. For financial reporting purposes, the Company has calculated income tax expense attributable to its operations using the separate return method. Under this method, the Company has assumed that it is a separate taxpayer in each jurisdiction in which it conducts business. Income taxes attributable to the Company's operations that were paid or payable by Nextera are included as a component of owner's net investment.

Deferred income taxes are provided for temporary differences between the financial reporting and the tax bases of assets and liabilities and are measured using enacted income taxes and laws that will be in effect when temporary differences are expected to reverse.

Stock-Based Compensation and Other Equity Instruments

The Company's employees participate in the stock-based compensation plans of Nextera. As allowed under Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), the Company has elected to follow Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and related Interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized.

2. Significant Accounting Policies (continued)

Stock-Based Compensation and Other Equity Instruments (continued)

If the Company had adopted the optional recognition provisions of SFAS 123 for its stock option plans, net income would have been changed to the pro forma amounts indicated below for the year ended December 31, 2002 (in thousands):

Net income:	
As reported	**$9,728**
Pro forma	**4,205**

The weighted average fair value of options granted during 2002 was $0.54 per share. As recommended by SFAS 123, the fair values of options were estimated using the Black-Scholes option pricing model assuming expected volatility of 130%, a risk-free interest rate of 4.70%, and an expected life of 6 years.

Pledged Assets

All assets of the Company have been pledged as collateral in connection with the amended and restated senior credit facility of Nextera. Accordingly, Nextera's senior lenders have a priority lien against all assets. Additionally, an affiliate of Nextera has liens against the assets of the Company in connection with the Nextera debentures.

Recently Issued Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143"), which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 is required to be adopted for fiscal years beginning after June 15, 2002. The adoption of SFAS 143 is not expected to have a material effect on the Company's financial position or results of operations.

2. Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* ("SFAS 145"). Among other items, SFAS 145 updates and clarifies existing accounting pronouncements related to reporting gains and losses from the extinguishment of debt and certain lease modifications that have economic effects similar to sale-leaseback transactions. The provisions of SFAS 145 are generally effective for fiscal years beginning after May 15, 2002, with earlier adoption of certain provisions encouraged. The Company does not expect the adoption of SFAS 145 to have a material impact on its financial position or results of operations.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"). SFAS 146 supersedes Emerging Issues Task Force Issue 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)* ("EITF Issue 94-3"). SFAS 146 requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue 94-3, a liability for an exit cost as defined in EITF Issue 94-3 was recognized at the date of an entity's commitment to an exit plan. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with earlier application encouraged. Under SFAS 146, an entity may not restate its previously issued financial statements and the new statement grandfathers the accounting for liabilities that an entity had previously recorded under EITF Issue 94-3. The Company does not expect the adoption of SFAS 146 to have a material impact on its financial position or results of operations.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, *Stock-Based Compensation – Transition and Disclosure- an amendment of FASB Statement No. 123* ("SFAS 148"), which provides optional guidance for those companies electing to voluntarily adopt the accounting provisions of SFAS 123. In addition, the statement mandates certain new disclosures that are incremental to those required by SFAS 123. Since the Company will continue to record stock-based compensation in accordance with APB 25, no material impact on the consolidated financial position or results of operations is expected. The Company has adopted the disclosure provisions of this statement as of December 31, 2002.

3. Owner’s Net Investment and Corporate Allocations

Owner’s net investment consists of Nextera’s initial investment in the Company and subsequent changes in Nextera’s net investment resulting from earnings (losses) of the Company, settlement of intercompany transactions and the transfer of Lexecon’s net cash to Nextera as part of Nextera’s centralized cash management accounts. On a daily basis, all cash balances relating to the Company’s lockbox, control disbursement, and payroll bank accounts are transferred into Nextera’s concentration account.

Certain general and administrative expenses relating to the Company are paid by Nextera. These expenses generally include insurance and certain professional fees. These expenses are allocated to the Company based on an estimate of the related incurrence of such expenses by the Company.

No interest expense incurred by Nextera for corporate debt has been allocated to the Company. The average owner’s net investment balance was approximately $86 million in 2002 and $88 million for the nine months ended September 30, 2003.

4. Property and Equipment

Property and equipment consists of the following (in thousands):

	December 31, 2002	September 30, 2003
		(Unaudited)
Equipment	**$ 1,895**	$ 1,895
Software	**1,122**	1,122
Furniture and fixtures	**715**	715
Leasehold improvements	**1,291**	1,291
	5,023	5,023
Less accumulated depreciation and amortization	**2,750**	3,218
	$ 2,273	$ 1,805

5. Intangible Assets

On December 31, 2002, the Company entered into employment and non-compete agreements with the Company's two key service providers: Daniel Fischel, the Company's Chief Executive Officer, and Dennis Carlton, an employee. These agreements contain covenants-not-to-compete over specified periods in return for cash compensation. The agreements became effective on January 7, 2003, upon payment of the first installment. Under the terms of the agreements, Lexecon made aggregate payments of $5.0 million on January 7, 2003, to extend these agreements through July 15, 2003. Messrs. Fischel and Carlton surrendered approximately 1.8 million shares of Nextera's Class A Common Stock worth approximately $0.8 million in connection with the extension of the non-compete provisions. Accordingly, an intangible asset of approximately $4.2 million was recorded in 2003 and will be amortized over six months.

The Company has the option of extending the non-compete provisions through January 15, 2004, by paying Messrs. Fischel and Carlton an aggregate payment of $3.5 million, including interest, on or before July 15, 2003, plus an additional $1.6 million within 5 business days of the collection of a specified accounts receivable, but in no event later than December 31, 2003. The Company has the option of extending these agreements from January 15, 2004 to December 31, 2008, by making an additional aggregate payment of $20.0 million to Messrs. Fischel and Carlton on or before January 15, 2004.

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following (in thousands):

	December 31, 2002	September 30, 2003
		(Unaudited)
Trade accounts payable	**$ 1,213**	$ 1,601
Accrued payroll and compensation	**7,456**	10,403
Accrued benefits	**478**	525
Other	**1,457**	359
	$ 10,604	$ 12,888

7. Income Taxes

The provision for income taxes consists of the following for 2002 (in thousands):

Current:	
Federal	$4,541
State	1,259
	5,800
Deferred:	
Federal	549
State	151
	700
	$6,500

A reconciliation of the consolidated effective tax rate of the Company is as follows for 2002:

Tax at statutory rate	34%
State taxes, net of federal benefit	6
Effective tax rate	40%

Significant components of the Company's deferred tax assets and liabilities are as follows at December 31, 2002 (in thousands):

Deferred tax assets:	
Stock option compensation	$ 2,412
Reserves	658
Allowance for doubtful accounts	411
Property and equipment	29
	3,510
Valuation allowance	(2,412)
	1,098
Deferred tax liabilities:	
Prepaid expenses and other	(123)
Goodwill	(1,204)
	(1,327)
Net deferred tax asset	$ (229)

7. Income Taxes (continued)

Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, requires a valuation allowance against deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized. Due to the uncertainty surrounding the Company's ability to realize the benefit of the stock compensation deferred tax asset (on non-exercised stock options), a valuation allowance in the amount of $2,412,000 has been reflected at December 31, 2002.

8. Leases

The Company leases its office facilities under operating leases that expire from 2003 to 2012. The majority of the leases require payments for additional expenses such as taxes, maintenance and utilities. Total rent expense was approximately $2.1 million in 2002. The Company also leases certain equipment under capital leases.

Future minimum lease payments under capital leases and noncancelable operating leases (net of $0.2 million of sublease income) for the years ending after December 31, 2002, are as follows (in thousands):

	Capital Leases	Operating Leases
2003	$ 506	$ 1,511
2004	174	1,220
2005	7	1,231
2006	–	1,242
2007	–	1,256
Thereafter	–	5,952
Total minimum lease payments	687	$ 12,412
Less amounts representing interest	69	
Present value of minimum capitalized lease payments	618	
Current portion	451	
Long-term capitalized lease obligation	$ 167	

During 2002, the Company entered into capital leases in the amount of $356,000, which have been recorded with property and equipment on the balance sheet.

9. Stock Options

Certain employees of the Company have been granted options by Nextera, principally under two Nextera stock option plans. Options granted under these plans have up to a 10-year life and vest principally over three to six-year periods, with certain options subject to acceleration if certain conditions are achieved. The exercise price of options granted is generally equal to the fair market value of Nextera's Class A common stock on the date of grant. At December 31, 2002, Nextera had reserved 43,500,000 shares of common stock for future issuance under the stock option plans, of which 22,392,980 were available for future grants.

The following table summarizes the stock option activity during 2002 for grants to the Company's employees:

Stock Options	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	**11,388,373**	**$ 5.02**
Granted	**3,982,500**	**0.55**
Exercised	**—**	**—**
Forfeited	**(182,931)**	**8.17**
Outstanding at end of year	**15,187,942**	**$ 3.81**
Options exercisable at end of year	**6,841,342**	**$ 7.00**

A summary of information about stock options outstanding as of December 31, 2002, is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 31, 2002	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable at December 31, 2002	Weighted-Average Exercise Price
$ 0.35 - $2.00	9,449,326	8.8	$ 0.73	1,582,293	$ 0.73
$ 2.01 - $6.00	1,165,109	6.9	4.98	1,150,353	4.99
$ 6.01 - $14.00	4,573,507	6.5	9.87	4,108,696	9.98
	15,187,942		$ 3.81	6,841,342	$ 7.00

10. Retirement Savings Plan

The Company sponsors a retirement savings plan under the Internal Revenue Code for the benefit of all of its employees meeting certain minimum service requirements. Eligible employees may elect to contribute to the retirement plan subject to limitations established by the Internal Revenue Code. The plan sponsor selects investment opportunities from which participants may choose to contribute. Employer contributions are made at the discretion of the Company. Total employer contribution expense under the plan was $0.7 million in 2002.

11. Contingencies

The Company is subject to certain asserted claims arising in the ordinary course of business. The Company intends to vigorously assert its rights and defend itself in any litigation that may arise from such claims. While the ultimate outcome of these matters could affect the results of operations of any one quarter or year when resolved in future periods, and while there can be no assurance with respect thereto, management believes that after final disposition, any financial impact would not be material to the Company’s financial position and results of operations or liquidity.

12. Subsequent Event (Unaudited)

Effective January 7, 2003, the Company entered into employment and non-compete agreements with its two key service providers as discussed in Note 5. A cash payment of $4.2 million was made and recorded as an intangible asset on that date. The entire asset balance was amortized over the non-compete period through July 15, 2003.

Additionally, the Company exercised its option to extend the non-compete provision through January 15, 2004 upon making a $5.0 million cash payment on July 15, 2003. This payment was also recorded as an intangible asset, which is being amortized over the non-compete period. For the nine months ended September 30, 2003, the Company has recorded $6.3 million of amortization expense related to these non-compete arrangements in the accompanying consolidated statements of income.

Pro Forma Financial Information.

On November 28, 2003, we acquired, through our acquisition subsidiary, LI Acquisition Company, LLC, substantially all of the assets and most of the liabilities of Lexecon Inc. from its parent company, Nextera Enterprises, Inc., in a purchase business combination. Lexecon, located in Chicago, Illinois and Cambridge, Massachusetts, is an economic consulting firm that provides services throughout the United States. Its clients include major law firms and the corporations that they represent, government and regulatory agencies, public and private utilities, and multinational corporations. Lexecon’s services involve the application of economic, financial and public policy principles to market place issues in a large variety of industries. Its services fall into three broad areas: litigation support, public policy studies and business consulting. Lexecon provides expert witness testimony, economic analyses and other litigation-related services in adversarial proceedings in courts and before regulatory bodies, arbitrators and international trade organizations.

We paid Nextera $129.2 million to acquire Lexecon and we incurred acquisition-related costs of about $1.5 million. We financed the acquisition with a combination of existing cash resources and borrowings of $104.1 million under the amended and restated bank credit facility we entered into with Bank of America, N.A. on November 28, 2003.

On November 3, 2003, we acquired, through our acquisition subsidiary, DAS Business LLC, certain assets and liabilities of the dispute advisory services, or DAS, business of KPMG, LLP, a U.S. accounting and tax firm in exchange for $89.125 million in cash. The dispute advisory services business assists clients in the analysis and resolution of all phases of complex disputes in a variety of forums, including litigation, arbitration, mediation and other forms of dispute resolution. The DAS business was not a separate reporting unit of KPMG. Accordingly, separate complete historical financial statements for KPMG’s DAS business are not available and, in management’s opinion, the preparation of complete separate financial statements for the DAS business would require arbitrary allocations of expenses that would not be meaningful. The DAS statement of revenues and direct expenses, included in our pro forma combined FTI and DAS income statements, includes revenues from the book-of-business of the 24 partners and 3 directors who joined FTI, direct expenses including billable professional employees compensation and benefits of personnel joining FTI, reimbursable and subcontractor costs and some practice related costs. Practice related costs consist principally of non-reimbursable costs, bad debt expense, administrative support and depreciation.

The direct expenses of DAS do not include an allocation of KPMG firm wide expenses, such as rent, insurance, national marketing, data processing, accounting, the cost of national support offices and other similar corporate expenses. The DAS business could not operate on a stand-alone basis without incurring some or all of these expenses. As a result, the unaudited pro forma condensed combined income statements are not indicative of what the actual results would have been had the DAS acquisition been completed on January 1, 2002 nor do they purport to indicate the results of our future operations or the future operations of the DAS business.

The accompanying unaudited pro forma condensed combined income statements for the year ended December 31, 2002 and the nine months ended September 30, 2003 combine the historical results of Lexecon with our pro forma combined DAS results of operations. Our pro forma combined DAS results reflect our historical results of operations combined with the historical revenues and expenses directly related to the DAS business, as adjusted to present the pro forma effects of the acquisition of the DAS business. Our pro forma combined DAS results are presented in more detail in Exhibit 99.2 incorporated by reference in this Form 8-K/A. The pro forma statements that follow give effect to the acquisition of Lexecon as if the acquisition had occurred on January 1, 2002. The unaudited pro forma condensed combined income statements are not indicative of what the actual results would have been had the Lexecon or DAS acquisitions been completed on the date indicated nor do they purport to indicate the results of our future operations or the future operations of Lexecon.

The accompanying unaudited pro forma condensed combined balance sheet and statement of net assets acquired at September 30, 2003 gives effect to the acquisition of Lexecon as if the acquisition had occurred on September 30, 2003. Our pro forma combined DAS balance sheet and statement of net assets acquired represents our historical financial position combined with the historical statement of net assets related to the DAS business. Our pro forma condensed combined balance sheet and statement of DAS net assets acquired is presented in more detail in Exhibit 99.2 incorporated by reference in this Form 8-K/A. We will allocate the cost of the acquisition of Lexecon to identifiable assets and liabilities based on their estimated relative fair values. We have not completed our allocation process, and therefore the allocation of the purchase price for Lexecon included in the accompanying pro forma combined financial statements is preliminary. We are performing a valuation of the intangible assets that we acquired. The estimated valuation of these intangible assets for purposes of preparing the accompanying unaudited pro forma condensed combined financial statements is based on the data that we have developed to date, and we will complete our valuation in 2004. The final purchase price allocation may differ from the preliminary allocation included in the accompanying unaudited pro forma condensed combined financial statements.

The pro forma adjustments are described in the accompanying notes and are based upon available information and various assumptions that we believe are reasonable. These adjustments give effect to events directly attributable to the acquisition and do not reflect any restructuring or integration costs, or any potential cost savings or other synergies that management expects to realize as a result of the transaction. The unaudited pro forma combined financial statements do not purport to represent what our financial position and results of operations would have actually been had the acquisition occurred on the dates indicated, and as previously stated, cannot be considered indicative of actual results. You should read the unaudited pro forma combined financial statements in conjunction with our historical consolidated financial statements and notes contained in our annual report on Form 10-K for the year ended December 31, 2002, our subsequent quarterly reports on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003, and our Form 8-K/A dated November 3, 2003 and filed January 14, 2003. You should also read the historical financial statements of Lexecon, which are presented in Exhibit 99.3 to this Form 8-K/A.

Unaudited Pro Forma Condensed Combined Income Statements

	Year Ended December 31, 2002				
	Pro Forma Combined FTI and DAS (1)	Historical Lexecon	Subtotal	Pro Forma Adjustments	Pro Forma Total
			(in thousands)		
Revenues	$ 298,112	$ 73,946	$ 372,058	$ —	$ 372,058
Operating expenses					
Direct cost of revenues	145,942	44,794	190,736	—	190,736
Selling, general and administrative expense	56,355	12,823	69,178	—	69,178
Amortization of other intangible assets	3,033	—	3,033	2,167(a)	5,200
	205,330	57,617	262,947	2,167	265,114
Operating income	92,782	16,329	109,111	(2,167)	106,944
Interest expense, net	(4,717)	(101)	(4,818)	(3,855)(b)	(8,673)
Income from continuing operations before income taxes	88,065	16,228	104,293	(6,022)	98,271
Income taxes	35,615	6,500	42,115	(2,372)(c)	39,743
Income from continuing operations	$ 52,450	$ 9,728	$ 62,178	$ (3,650)	$ 58,528
Earnings per common share from continuing operations					
Basic	$ 1.64				$ 1.83
Diluted	$ 1.53				$ 1.71
Weighted average number of common shares outstanding					
Basic	32,031				32,031
Diluted	34,197				34,197

(1) The DAS business was not a separate reporting unit of KPMG and separate complete historical financial statements are not available. The information included in this statement consists of the revenue from the book-of-business of the 24 partners and 3 directors who joined FTI and direct expenses of the DAS business (compensation and benefits of the professionals and administrative personnel joining FTI, reimbursable and subcontractor costs, bad debts and some other practice related expenses), but do not include any allocation of KPMG firm wide expenses such as rent, insurance, national marketing, data processing, accounting, the cost national support offices and other similar corporate expenses. Accordingly, these statements are not indicative nor do they purport to indicate the results of our future operations or the future operation of the DAS or Lexecon businesses. The pro forma combined FTI and DAS income statement includes the historical revenues and expenses directly related to the DAS business for its fiscal year ended September 30, 2003. Our pro forma combined DAS results are presented in more detail in Exhibit 99.2 incorporated by reference in this Form 8-K/A.

See Notes to these Unaudited Pro Forma Condensed Combined Financial Statements.

Unaudited Pro Forma Condensed Combined Income Statements

	Nine Months Ended September 30, 2003				
	Pro Forma Combined FTI and DAS [1]	Historical Lexecon	Subtotal	Pro Forma Adjustments	Pro Forma Total
			(in thousands)		
Revenues	$ 328,727	$ 51,487	$ 380,214	$ —	$ 380,214
Operating expenses					
Direct cost of revenues	154,967	32,737	187,704	—	187,704
Selling, general and administrative expense	62,612	9,316	71,928	—	71,928
Amortization of other intangible assets	3,325	6,289	9,614	(5,164)(a)	4,450
	220,904	48,342	269,246	(5,164)	264,082
Operating income	107,823	3,145	110,968	5,164	116,132
Interest expense, net	(3,416)	(199)	(3,615)	(2,700)(b)	(6,315)
Income from continuing operations before income taxes	104,407	2,946	107,353	2,464	109,817
Income taxes	42,287	1,180	43,467	1,011(c)	44,478
Income from continuing operations	$ 62,120	$ 1,766	$ 63,886	$ 1,453	$ 65,339
Earnings per common share from continuing operations					
Basic	$ 1.53				$ 1.61
Diluted	$ 1.49				$ 1.56
Weighted average number of common shares outstanding					
Basic	40,597				40,597
Diluted	41,826				41,826

(1) The DAS business was not a separate reporting unit of KPMG and separate complete historical financial statements are not available. The information included in this statement consists of the revenue from the book-of-business of the 24 partners and 3 directors who joined FTI and direct expenses of the DAS business (compensation and benefits of the professionals and administrative personnel joining FTI, reimbursable and subcontractor costs, bad debts and some other practice related expenses), but do not include any allocation of KPMG firm wide expenses such as rent, insurance, national marketing, data processing, accounting, the cost national support offices and other similar corporate expenses. Accordingly, these statements are not indicative nor do they purport to indicate the results of our future operations or the future operation of the DAS or Lexecon businesses. Our pro forma combined DAS results are presented in more detail in Exhibit 99.2 incorporated by reference in this Form 8-K/A.

See Notes to these Unaudited Pro Forma Condensed Combined Financial Statements.

Unaudited Pro Forma Condensed Combined Balance Sheet and Statement of Net Assets Acquired

	At September 30, 2003				
	Pro Forma Combined FTI and DAS(1)	Historical Lexecon	Subtotal	Pro Forma Adjustments	Pro Forma Total
			(in thousands)		
Assets					
Current assets					
Cash and cash equivalents	$ 43,293	$ —	$ 43,293	$ (130,700)(1)	$ 13,014
				100,421(2)	
Accounts receivable, net of allowance	36,919	9,826	46,745	—	46,745
Unbilled receivables, net of allowance	21,159	10,972	32,131	—	32,131
Prepaid expenses and other current assets	6,105	1,907	8,012	(1,025)(5)	6,987
Total current assets	107,476	22,705	130,181	(31,304)	98,877
Property and equipment, net	18,414	1,805	20,219	—	20,219
Goodwill	385,435	77,504	462,939	38,112(3)	501,051
Other intangible assets, net	4,742	2,920	7,662	580(3)	8,242
Notes receivable and other assets	12,691	377	13,068	3,700(2)	16,768
Total assets	$ 528,758	$ 105,311	$ 634,069	$ 11,088	$ 645,157
Liabilities and Stockholders' Equity					
Current liabilities					
Accounts payable and other current liabilities	$ 35,153	$ 12,888	$ 48,041	$ (1,279)(4)	$ 46,762
Due to KPMG	65	—	65	—	65
Current portion of long-term debt	9,504	185	9,689	4,954(2)	14,643
Billings in excess of services provided	18,517	—	18,517	—	18,517
Total current liabilities	63,239	13,073	76,312	3,675	79,987
Long-term debt, net of current portion	11,375	39	11,414	99,167(2)	110,581
Deferred income taxes and other liabilities	13,300	2,652	15,952	(2,207)(4)	13,745
Stockholders' equity					
Common stock	420	—	420	—	420
Additional paid-in capital	329,761	—	329,761	—	329,761
Owner's net investment	—	89,547	89,547	(89,547)(5)	—
Unearned compensation	(4,158)	—	(4,158)	—	(4,158)
Retained earnings	115,003	—	115,003	—	115,003
Accumulated other comprehensive loss	(182)	—	(182)	—	(182)
Total stockholders' equity	440,844	89,547	530,391	(89,547)	440,844
Total liabilities and stockholders' equity	$ 528,758	$ 105,311	$ 634,069	$ 11,088	$ 645,157

(1) Our pro forma combined DAS results are presented in more detail in Exhibit 99.2 incorporated by reference in this Form 8-K/A.

See Notes to these Unaudited Pro Forma Condensed Combined Financial Statements.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(dollar amounts in tables expressed in thousands)

1. The Lexecon Acquisition

On November 28, 2003, we acquired, through our acquisition subsidiary, LI Acquisition Company, LLC, substantially all of the assets and most of the liabilities of Lexecon Inc., from its parent company, Nextera Enterprises, Inc., in a purchase business combination. The purchase price primarily includes cash paid at closing and the estimated acquisition-related costs. The purchase price is summarized as follows.

Cash	$129,200
Estimated acquisition related costs	1,500
	$130,700

2. Adjustments to Unaudited Pro Forma Condensed Combined Income Statements

Adjustments to the unaudited pro forma condensed combined income statements for the year ended December 31, 2002 and the nine-month period ended September 30, 2003 in connection with the Lexecon acquisition are presented below.

(a) Adjustment to record pro forma amortization expense for the $3.5 million of estimated other intangible assets recorded when we acquired Lexecon. These intangible assets consist primarily of engagement backlog which we are amortizing over eighteen months and non-compete agreements which we are amortizing over three years. For the nine months ended September 30, 2003, the adjustment also includes the elimination of $6.3 million of Lexecon's historical amortization expense related to its non-compete agreements with Lexecon's two key principals.

(b) Adjustment to record pro forma interest expense. In connection with the acquisition of Lexecon, we incurred about $3.7 million of financing costs that we are amortizing over the average contractual life of the related debt. In addition, at the same time we acquired Lexecon, we borrowed $104.1 million primarily to pay the cash portion of the acquisition cost. Based on the LIBOR rate in effect at the closing date of November 28, 2003, the average interest rate associated with the acquisition related borrowings was 3.12%.

(c) Adjustment to record pro forma income tax expense for the estimated tax effects of pro forma adjustments, all at our combined effective income tax rate of 40.4% in 2002 and 40.5% in 2003.

3. Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

The adjustments we made to the unaudited pro forma condensed combined balance sheet and statement of net assets acquired at September 30, 2003 in connection with the Lexecon acquisition are presented below.

(1) Adjustment to record the use of cash to purchase Lexecon. We paid Nextera Enterprises, Inc. $129.2 million to acquire Lexecon and we incurred transaction costs of about $1.5 million.

(2) Adjustment to record debt incurred at closing. On November 28, 2003, we borrowed $104.1 million from our lenders and incurred about $3.7 million of financing fees to arrange for this borrowing. Our borrowings include a line-of-credit arrangement with additional borrowing capacity to allow us to manage our working capital needs.

(3) Adjustment to record the allocation of the purchase price to goodwill and other intangible assets acquired in the transaction. The estimated purchase price of $130.7 million has been assigned to the tangible and intangible assets acquired and liabilities assumed as follows. These estimates could change based on a final appraisal of the intangibles we acquired.

Current assets	$ 21,680
Long-term assets	2,182
Goodwill	115,616
Engagement backlog	3,000
Non-compete agreements	500
Total assets at September 30, 2003	142,978
Less liabilities assumed at September 30, 2003	(12,278)
	$130,700

(4) Adjustment to eliminate specified assets, accrued liabilities and amounts not assumed by us in accordance with the terms of the asset purchase agreement.